

Emnambithi / Ladysmith Municipality



Annual Financial Statements

FOR THE FINANCIAL YEAR ENDED

30 June 2014

Emnambithi / Ladysmith Municipality

Annual Financial Statements for the year ended 30 June 2014

General Information

Legal form of entity	Local Municipality
Members of the Council	
Mayor	Mr M V Madlala
Deputy Mayor	Ms S R Mfusi
Speaker	Ms Z B Rasool
Chief Whip	Mr T W Ngubane
Member of the Executive Committee	Ms T Hadebe Mr P J Hunter Mr T P Makhaza Mr M J Buthelezi Mr A S D Warasally Mr T Msomi Ms S J Sithebe
Accounting Officer	Mr M P Khathide
Chief Financial Officer	Mr M Hloba (Appointed 1 August 2014)
Grading of local authority	4
Registered office	221 Murchison Street Lister Clarence Building Ladysmith Tel: 036-6372231 Fax: 036-6311400 <u>E-mail: mm@ladysmith.co.za</u>
Postal address	PO Box 29 Ladysmith Kwazulu-Natal 3370
Bankers	ABSA - Public Sector Banking
Auditors	Auditor-General

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Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial period and the results of its operations and cash flows for the period then ended.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the municipality's cash flow forecast for the period to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the income from services, rates and grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Emnambithi / Ladysmith Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The financial statements set out on pages 1 to 60, which have been prepared on the going concern basis, were approved by the Accounting Officer on 29 August 2014 and were signed on its behalf by :

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

**Accounting Officer
Mr M P Khathide**

29 August 2014

Emnambithi / Ladysmith Municipality

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Statement of Financial Position

		2014	2013
			Restated
	Note(s)	R	R
Assets			
Current Assets			
Inventories	15	36 792 648	32 644 779
Trade and Other Receivables from Exchange Transactions	16	22 517 812	22 366 249
Other Receivables from Non-Exchange Transactions	17	52 401 802	45 197 500
VAT Receivable	9	2 694 095	14 478 867
Current Portion of Non-Current Receivables	14	1 400	2 233
Short-Term Investments	13	26 346 179	80 955 967
Call Investment Deposits	18	81 677 144	95 301 130
Cash and Cash Equivalents	19	13 205 998	-
		235 637 077	290 946 724
Non-Current Assets			
Property, Plant and Equipment	10	862 543 775	804 579 163
Intangible Assets	11	571 105	939 071
Investment Property	12	68 087 000	63 543 469
Non-Current Receivables from Exchange Transactions	14	17 610	19 186
		931 219 490	869 080 889
Total Assets		1 166 856 568	1 160 027 613
Current Liabilities			
Consumer Deposits	4	8 152 163	8 045 469
Provisions	5	24 325 822	21 940 404
Trade and Other Payables from Exchange Transactions	7	95 601 285	75 018 848
Unspent Conditional Grants and Receipts	8	26 683 118	35 869 358
Cash and Cash Equivalents	19	-	29 314 433
Current Portion of Finance Lease Obligation	3	20 674	18 901
Current Portion of Long-term Loans	2	250 698	228 970
		155 033 759	170 436 383
Non-Current Liabilities			
Long-term Loans	2	4 710 438	4 961 135
Finance Lease Obligation	3	5 465	26 139
Retirement Benefit Obligations	6	34 056 268	34 592 500
		38 772 170	39 579 775
Total Liabilities		193 805 930	210 016 158
Net Assets		973 050 638	950 011 455
Net Assets			
Housing Development Fund	1	28 184 255	26 333 857
Accumulated Surplus		944 866 383	923 677 598
Total Net Assets		973 050 638	950 011 455

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Statement of Financial Performance

Actual Restated 2013	R	Note(s)	R	Approved	Final Budget 2014	Difference between Final Budget and Actual R				
				Actual 2014	Budget 2014					
Revenue										
Revenue from non-exchange transactions										
112 765 228	Property Rates	20	121 413 041	123 566 451	(5 804 459)	117 761 992	3 651 049			
4 106 159	Property Rates - Penalties & Collection Charges		6 618 862	3 000 000	3 902 732	6 902 732	(283 870)			
7 909 920	Fines		8 390 210	6 463 670	-	6 463 670	1 926 540			
6 572 089	Licences and Permits		5 725 761	6 905 738	220 000	7 125 738	(1 399 977)			
194 784 702	Government Grants and Subsidies	22	173 765 929	157 974 000	20 920 000	178 894 000	(5 128 071)			
11 759 115	Government Grants - Low Cost Housing	22	1 894 426	-	-	-	1 894 426			
Revenue from exchange transactions										
232 535 667	Service Charges	21	246 250 769	254 634 772	801 369	255 436 141	(9 185 372)			
8 631 950	Interest Earned - External Investments		6 179 915	7 000 000	-	7 000 000	(820 085)			
882 852	Interest Earned - Outstanding Receivables		1 004 745	1 932 430	45 000	1 977 430	(972 685)			
27 318 687	Other Income	33	15 313 058	20 349 839	(4 194 877)	16 154 962	(841 904)			
607 266 368	Total Revenue		586 556 716	581 826 900	15 889 765	597 716 665	(11 159 949)			
Expenditure										
132 730 540	Employee Related Costs	23	159 570 959	158 433 808	3 774 397	162 208 205	(2 637 246)			
13 131 617	Remuneration of Councillors	24	14 508 862	14 809 248	555 000	15 364 248	(855 386)			
10 301 342	Bad Debts		16 429 198	9 186 120	1 813 880	11 000 000	5 429 198			
20 867 016	Indigency		16 922 354	14 642 770	7 409 797	22 052 567	(5 130 213)			
57 238 462	Depreciation and Amortisation Expense		57 323 472	66 504 883	1 921 483	68 426 366	(11 102 894)			
36 325 041	Repairs and Maintenance		32 300 080	44 222 050	(9 862 871)	34 359 179	(2 059 099)			
555 517	Finance Costs	25	469 241	491 460	-	491 460	(22 219)			
154 749 980	Bulk Purchases	26	149 064 631	168 975 057	(3 000 000)	165 975 057	(16 910 426)			
1 272 856	Grants / Subsidies and Rebates Paid	27	2 070 868	8 637 802	(6 728 602)	1 909 200	161 668			
9 194 731	Grant Expenses		11 402 009	46 725 000	(38 698 000)	8 027 000	3 375 009			
11 759 115	Grants Expenses - Low Cost Housing	22	1 894 426	-	-	-	1 894 426			
100 179 290	General Expenses	28	106 273 858	64 608 789	40 161 319	104 770 108	1 503 750			
548 305 508	Total Expenditure		568 229 959	597 236 987	(2 653 597)	594 583 390	(26 353 431)			
Other Gains / Losses										
(1 412 276)	Gain / (Loss) on sale/disposal of assets		(2 053 122)	-	-	-	(2 053 122)			
28 203 866	Gain / (Loss) on fair value adjustment		2 288 531	-	-	10 759 965	(8 471 434)			
-	Gain / (Loss) on revaluation of assets		-	-	-	-	-			
(1 915 495)	Inventories : Write-down to net realisable value		-	-	-	-	-			
	Impairment Loss / Reversal of impairment loss		119 622	-	-	-3 742 315	3 861 937			
83 836 955	Surplus / (Deficit) for the year		18 681 788	(15 410 087)	18 543 362	10 150 925	8 530 863			

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Statement of Changes in Net Assets

	Housing Development Fund R	Accumulated Surplus R	Total Net Assets R
Opening balance as previously reported	22 792 257	818 491 959	841 284 216
Surplus for the year	-	16 381 277	16 381 277
Prior Year Adjustment: Unidentified Deposits Appropriated	-	347 892	347 892
Prior Year Adjustment: Unclaimed Payments to Employees / Creditors	-	52 305	52 305
Prior Year Adjustment: Duplicate PPE Derecognised	-	-1 303 116	-1 303 116
Prior Year Adjustment: Recognition of PPE	-	11 900	11 900
Prior Year Adjustment: PPE Transferred to Another Organ of State	-	-27 433	-27 433
Prior Year Adjustment: WIP Derecognised	-	225 081	225 081
Adoption of IGRAP1 - Revenue Recognition - Traffic Fines	-	4 358 858	4 358 858
Adoption GRAP 25 - Employee Benefits - Bonus Accrual	-	-2 144 655	-2 144 655
Adoption of GRAP 25 - Employee Benefits - Performance Bonus Provision	-	-445 500	-445 500
Other Transfers to Internal Funds	-	-75 333	-75 333
Transfer to Self-Insurance Fund	-	1 330 142	1 330 142
Transfer to Housing Development Fund	2 241 015	-	2 241 015
Balance at 1 July 2012	25 033 273	837 203 378	862 236 650
Surplus for the year	-	83 836 955	83 836 955
Prior Year Adjustment: Unclaimed Payments to Employees / Creditors	-	299 437	299 437
Other Transfers to Internal Funds	-	-81 522	-81 522
Transfer to Self-Insurance Fund	-	2 419 351	2 419 351
Transfer to Housing Development Fund	1 300 584	-	1 300 584
Balance at 30 June 2013	26 333 856	923 677 598	950 011 455
Surplus for the year	-	18 681 788	18 681 788
Prior Year Adjustment: Unclaimed Payments to Employees / Creditors	-	-46 144	-46 144
Other Transfers to Internal Funds	-	-38 766	-38 766
Transfer to Self-Insurance Fund	-	2 591 906	2 591 906
Transfer to Housing Development Fund	1 850 399	-	1 850 399
Balance at 30 June 2014	28 184 255	944 866 383	973 050 638

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Cash Flow Statement

		2014	2013
			Restated
	Note(s)	R	R
Cash flows from operating activities			
Receipts			
Sale of goods and services		351 502 353	314 932 304
Grants		172 609 901	183 428 925
Interest received		6 179 915	8 631 950
Other receipts		32 823 591	39 499 698
		563 115 759	546 492 877
Payments			
Employee costs		193 446 343	172 579 971
Suppliers		268 088 086	267 923 898
Interest paid		469 241	555 517
Other payments		7 904 928	30 482 206
		469 908 598	471 541 592
Net cash flows from operating activities	29	93 207 161	74 951 285
Cash flows from investing activities			
Purchase of property, plant and equipment		-118 690 600	-113 694 463
Purchase of investment property		-3 195 000	
Purchase of intangible assets			-1 048 358
Proceeds on sale of assets		3 212 968	5 079 838
Net cash flows from investing activities		-118 672 633	-109 662 983
Cash flows from financing activities			
New loans raised/(repaid)		-228 970	-1 410 178
Finance lease raised/(repaid)		-18 901	-102 406
Net cash flows from financing activities		-247 872	-1 512 583
Net increase / (decrease) in cash and cash equivalents		-25 713 344	-36 224 282
Cash and cash equivalents at the beginning of the year / period			
- Short-Term Investments		80 955 967	70 739 034
- Call Investment Deposits		95 301 130	117 044 589
- Cash and cash equivalents		-29 314 433	-4 616 678
		146 942 664	183 166 946
Cash and cash equivalents at the end of the year / period			
- Short-Term Investments	13	26 346 179	80 955 967
- Call Investment Deposits	18	81 677 144	95 301 130
- Cash and Cash Equivalents	19	13 205 998	-29 314 433
		121 229 320	146 942 664

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Accounting Policies

1. BASIS OF PREPARATION

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost conventions as the basis of measurement, except where specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraph 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in a separate disclosure note and annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality :

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GRAP 18: Segment Reporting – issued March 2005:

Compliance with this standard would have had an effect on the presentation only. Financial information would have been reported by segments. The disclosure of this information will assist users of the financial statements to better understand the entity's past performance and to identify the resources allocated to support the major activities of the entity.

GRAP 20: Related Party Disclosures – issued June 2011:

Compliance with this standard would not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

3. INTERNAL RESERVES

3.1 Self insurance reserve

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally (excess payments). Premiums are charged to the respective services taking into account claims history and replacement values of the insured assets. The balance of the self-insurance fund is ring-fenced within the accumulated surplus/(deficit).

The Council determines annually the amount to contribute to the Self Insurance Reserve.

Claims not fully covered by external insurance are financed from the insurance reserve by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

The municipality operates a self-insurance scheme under the Self-Insurance Reserve, which has a policy that is aligned with the practice in the Insurance Industry. The balance of the Self-Insurance Reserve is determined based on surpluses accumulated since inception.

These surpluses arise from the differences between premiums charged against claims paid and various administrative expenditure incurred.

At the end of each financial year the surplus as computed per above is transferred from accumulated surplus to Self-Insurance Reserve.

The balance of the self-insurance fund is fully cash backed and is invested in a separate call account.

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Accounting Policies

4. PROPERTY, PLANT AND EQUIPMENT

4.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost).

If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

4.2 SUBSEQUENT MEASUREMENT – COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

4.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on cost less residual value, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Land is not depreciated as it is deemed to have an indefinite useful life.

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Accounting Policies

The annual depreciation rates are based on the following estimated average asset lives:-

DETAILS	YEARS	DETAILS	YEARS
Infrastructure		Other	
Roads and Paving	5 - 100	Buildings	10 - 50
Pedestrian Malls	20	Specialised Vehicles	3 - 20
Electricity	10 - 50	Other Vehicles	3 - 20
Water	10 - 100	Office Equipment	5 - 7
Sanitation	10 - 100	Furniture and Fittings	10
Housing	30	Watercraft	15
Stormwater	25 - 120	Bins and Containers	5 - 10
Community		Specialised Plant and Equipment	5 - 15
Buildings	10 - 50	Other Items of Plant and Equipment	5 - 15
Recreational Facilities	10 - 100	Landfill sites	15
Security	3 - 5		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

4.4 DERECOGNITION

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4.5 INCOMPLETE CONSTRUCTION WORK

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

5. INVESTMENT PROPERTY

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

5.1 FAIR VALUE

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

6. INTANGIBLE ASSETS

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.

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Accounting Policies

- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Servitudes	indefinite
Software	3 years

7. IMPAIRMENT OF ASSETS

7.1 CASH GENERATING ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized immediately in surplus or deficit.

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Accounting Policies

An impairment loss is recognized for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro-rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization is recognized immediately in surplus or deficit.

7.2 NON-CASH GENERATING ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized immediately in surplus or deficit.

An impairment loss is recognized for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro-rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods.

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A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization is recognized immediately in surplus or deficit.

8. INVENTORIES

8.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

8.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

9. FINANCIAL INSTRUMENTS

9.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

9.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale.

Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

9.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that

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categorisation are met, or as loans and receivables, and are measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

9.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 1 month from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

9.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

9.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of four months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

10. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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11. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

12. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

13. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

14. LEASES

14.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease

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finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

15. REVENUE

15.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

15.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

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Fines constitute both spot fines and summonses. Fines are economic benefits or service potential received or receivable by the municipality as a consequence of the individual or entity breaching the requirements of laws or regulations.

The full amount of traffic fines issued during the year is recognized at the initial transaction date as revenue in accordance with IGRAP1.

Assessing and recognizing impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears based on historic trends.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, the revenue is recognized as unspent grants.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

15.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

16. BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

17. RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised

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administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

Other post-employment benefit obligations

The municipality provides post-retirement healthcare benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. This benefit has since been restricted to persons 50 years and older of age as at 1 July 2005. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The expected costs of these benefits will be accrued over the period of employment using an accounting methodology similar to that used for defined benefit pension plans. Actuarial gains and losses arising and changes in actuarial assumptions, are charged or credited to income over the expected average remaining working lives of the relevant employees.

18. KEY SOURCES OF ESTIMATION, UNCERTAINTY AND JUDGEMENTS

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade Receivables

The municipality assesses its trade receivables for impairment at the end of each financial year. In determining whether an impairment should be recorded in surplus or deficit. Judgements are made as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Provisions

Provisions were raised and management used experts to determine an estimate based on information available. Additional disclosure of these estimates of provisions are included in note 5 on Provisions.

Post Retirement Benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact on the carrying amount of post retirement obligation.

The municipality obtains an actuarial valuation of its post retirement healthcare benefit and disclosure of this obligation is included in note 6 on Retirement Benefit Obligations.

Allowance for Doubtful Debts

On debtors an impairment loss is recognised where there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows. In making the estimation of the impairment, management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39 – *Financial Instruments – Recognition and Measurement*.

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Accounting Policies

Useful Lives of Property, Plant and Equipment

The municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when assets are available for use. The useful lives and residual lives are based on industry standards.

Impairment of Property, Plant and Equipment & Inventory

Estimates and judgements are made relating to property, plant and equipment for impairment testing and write-down of inventories to net realisable value as described in accounting policy 7 and 8 respectively.

19. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel are defined as the Municipal Manager, Chief Financial Officer, and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

20. COMMITMENTS

Commitments are future expenses and liabilities to be incurred on contracts that have been entered into at the reporting date.

The amount of capital commitments and other operating commitments contracted for at the reporting date, and which have not been recognised as liabilities are disclosed by way of note.

21. BUDGET INFORMATION

The annual budget figures have been prepared in accordance with the GRAP standards, and are consistent with the accounting policies adopted by Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the statement of comparison of budget and actual amounts. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan (IDP).

22. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

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Notes to the Financial Statements

	2014	2013
	R	Restated R

1. Housing Development Fund

Unappropriated Surplus/(Deficit)	(18 940 247)	(20 790 645)
Loans extinguished by Government on 1 April 1998	47 124 502	47 124 502
	<u>28 184 255</u>	<u>26 333 857</u>

The Housing Operating Account is represented by the following assets and liabilities:

Property, plant and equipment	-	-
Housing selling scheme loans	(2 818 484)	(2 696 173)
Housing rental debtors	-	-
Bank and cash	31 002 739	29 030 030
Sub-total	<u>28 184 255</u>	<u>26 333 857</u>
Creditors	-	-
	<u>28 184 255</u>	<u>26 333 857</u>

2. Long-term Loans

Loans	4 961 135	5 190 106
Less : Current portion transferred to current liabilities	(250 698)	(228 970)
	<u>4 710 438</u>	<u>4 961 135</u>

Refer to Appendix A for more detail on long-term loans

3. Finance Lease Obligations

Minimum lease payments due

- within one year	22 188	22 188
- in second to fifth year inclusive	5 547	27 735
- later than five years	-	-
	<u>27 735</u>	<u>49 923</u>
Less : Future finance charges	(1 596)	(4 882)
Present value of minimum lease payments	<u>26 139</u>	<u>45 041</u>

Present value of minimum lease payments due

- within one year	20 674	18 901
- in second to fifth year inclusive	5 465	26 139
- later than five years	-	-
	<u>26 139</u>	<u>45 041</u>

Non-current liabilities	5 465	26 139
Current liabilities	20 674	18 901

It is the Municipality's policy to lease certain equipment under finance leases. The average lease term was 5 years and the average effective borrowing rate was 9.00% (2013 : 12.17%).

Interest rates are fixed at the contract date. All leases have fixed repayments.

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	2014	2013
	R	Restated R

4. Consumer Deposits

Electricity	<u>8 152 163</u>	<u>8 045 469</u>
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Interest is not paid on Consumer Deposits

Guarantees held in lieu of Electricity Deposits R 2 332 575 (2013: R 2 353 775)

5. Provisions

5.1 Environmental Rehabilitation : Landfill Site

Balance at beginning of year	13 934 566	13 108 739
Contribution to provision	1 993 370	825 826
	<u>15 927 936</u>	<u>13 934 566</u>

Provision for reclamation of refuse landfill site. In terms of the licencing of the refuse landfill site, council will incur rehabilitation estimation costs of R 15 927 936 (2013: R 13 934 566) to restore the site at the end of its useful life.

The calculation is based on the total actual area of the Landfill site which is in use and unrehabilitated multiplied by the last known actual rehabilitation cost per hectare escalated to current cost.

5.2 Performance Bonuses

Balance at beginning of year	479 731	445 500
Contribution to provision	159 025	334 891
Expenditure incurred	(125 443)	(300 660)
	<u>513 313</u>	<u>479 731</u>

Performance bonuses are paid to the Municipal Manager and Section 56 Managers after an evaluation by the Council.

5.3 Long Service Awards

The Long Service Awards is a defined benefit plan. The Municipality offers employees Long Service Awards for every five years of continuous service completed, from 10 years to 45 years of service, inclusive. As at year end, 670 (2013 : 665) employees were eligible for Long Service Awards.

Completed Service (in years)	Long Service Bonuses (% of Annual Salary)	Description
10	4.0%	10 / 250 x Annual Salary
15	8.0%	20 / 250 x Annual Salary
20, 25, 30, 35, 40, 45	12.0%	30 / 250 x Annual Salary

In the month that each "Completed Service" milestone is reached, the employee is granted a Long Service Award.

Working days awarded are valued at 1/250th of annual salary per day.

The amounts recognised on the Statement of Financial Position are as follows:

Fair Value of Plan Assets	7 884 573	7 526 107
Accrued Liability	7 884 573	7 526 107
Unfunded Accrued Liability	-	-
Unrecognised Transitional Liability	-	-
Unrecognised Actuarial Gains/(Losses)	-	-
Unrecognised Past Service Cost	-	-
Net Liability in Statement of Financial Position	7 884 573	7 526 107

Movement in the Defined Benefit Obligation recognised in the Statement of Financial Position:

Previous opening liability	7 526 107	6 167 557
Current service cost	677 418	504 525
Interest cost	510 114	493 488
Actual benefits paid	(1 146 199)	(705 586)
Actuarial loss / (gain)	317 133	1 066 123
Closing Balance	7 884 573	7 526 107

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Notes to the Financial Statements

	2014	2013
	R	Restated R
5.3 Long Service Awards (Continued)		
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	677 418	504 525
Interest cost	510 114	493 488
Actuarial loss / (gain) recognised	317 133	1 066 123
Total included in Statement of Financial Performance	1 504 665	2 064 136

Key Financial Assumptions Used

Discount rate p.a.	7.90%	7.19%
General Salary Inflation (long-term) p.a.	7.08%	6.75%
Net Effective Discount Rate p.a.	0.77%	0.41%

The discount rate was determined by deducing from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market closed at the reporting date.

Key Demographic Assumptions Used

Average retirement age :			
Males	63	63	
Females	60	60	
Mortality during employment	SA 85 - 90	SA 85 - 90	
Withdrawal from service (sample annual rates)			
Male	Age		
	20	16%	12%
	30	10%	10%
	40	6%	6%
	50	2%	2%
	55	0%	0%
Female	Age		
	20	24%	12%
	30	15%	10%
	40	6%	6%
	50	2%	2%
	55	0%	0%

Sensitivity Analysis

Assumption	Change	Liability (R Millions)	% Change
Central assumptions		7 885	
General salary inflation	+1%	8 392	6%
	-1%	7 426	-6%
Discount rate	+1%	7 397	-6%
	-1%	8 434	7%
Average retirement age	-2 yrs	6 917	-12%
	+2 yrs	8 750	11%
Withdrawal rates	-50%	9 413	19%

Trend Information	30/06/2011	30/06/2012	30/06/2013	30/06/2014
Present value of obligation	5 948 840	6 167 557	7 526 107	7 884 573
Fair value of plan assets	-	-	-	-
Present value of obligation in excess of plan assets	-5 948 840	-6 167 557	-7 526 107	-7 884 573
Experience adjustments (Actuarial (gain) and losses before change in assumptions):				
- In respect of present value of obligation	-	-	497 476	531 426
- In respect of fair value of plan assets	-	-	-	-

The Municipality expects to pay R 1 112 415 in benefit payments in the 2014/2015 financial year.

The valuation was performed by ARCH Actuarial Consulting
ARCH Actuarial Consulting is not affiliated to the Municipality.
The full actuarial valuation report is available on request.

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Notes to the Financial Statements

	2014	2013
	R	Restated R

6. Retirement Benefit Obligations

Post-Retirement Medical Aid Plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service, or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Eligible employees will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement and if they were aged 55 or older on 1 January 2005.

The subsidy will be 50% for those in-service members who were aged between 50 and 55 on 1 January 2005. Other in-service members do not qualify for the post-employment subsidy.

If an employee chooses to take early retirement, he or she must be at least 55 years of age at the time of retirement and have at least 25 continuous years' service, provided they are eligible as at 1 January 2005, as per above.

The total in-service employees belonging to Medical Schemes as at 30 June 2014 were 7 and the total continuation employees receiving the medical benefit as at 30 June 2014 were 71.

The amounts recognised on the Statement of Financial Position are as follows:

Present value of obligations	34 056 268	34 592 500
Fair value of plan assets	-	-
Unrecognised Past Service cost	-	-
Unrecognised actuarial (gains)/losses	-	-
Liability Recognised in Balance Sheet	<u>34 056 268</u>	<u>34 592 500</u>

Movement in the Defined Benefit Obligation recognised in the Statement of Financial Position:

Previous opening liability	34 592 500	32 932 000
Current service cost	205 127	389 000
Interest cost	2 605 133	2 602 000
Actual benefits paid	(1 918 893)	(1 742 206)
Actuarial loss / (gain)	(1 427 599)	411 706
Closing Balance	<u>34 056 268</u>	<u>34 592 500</u>

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	205 127	389 000
Interest cost	2 605 133	2 602 000
Actuarial loss / (gain) recognised	(1 427 599)	411 706
Total included in income statement	<u>1 382 661</u>	<u>3 402 706</u>

Key Financial Assumptions Used

Discount Rate p.a.	8.42%	7.74%
Healthcare Cost Rate p.a.	7.74%	7.07%
Net Effective Discount Rate p.a.	0.63%	0.62%

The discount rate was determined by deducing from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market closed at the reporting date.

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Notes to the Financial Statements

	2014 R	2013 Restated R
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6. Retirement Benefit Obligations (Continued)

Key Demographic Assumptions Used

Average retirement age :

Males	63	63
Females	60	60
Mortality during employment	SA 85 - 90	SA 85 - 90
Withdrawal from service (sample annual rates):		

Male	Age			
	20		16%	12%
	30		10%	10%
	40		6%	6%
	50		2%	2%
	55		0%	0%
Female	Age			
	20		24%	12%
	30		15%	10%
	40		6%	6%
	50		2%	2%
	55		0%	0%

Sensitivity Analysis

Assumption	Change	In-service	Continuation	Total	% Change
Central assumptions		5 811	28 245	34 056	
Healthcare inflation	1%	6 538	31 366	37 904	11%
	-1%	5 191	25 563	30 754	-10%
Discount rate	1%	5 199	25 600	30 799	-10%
	-1%	6 540	31 378	37 918	11%
Post-retirement mortality	-1 yr	6 031	29 424	35 455	4%
Average retirement age	-1 yr	6 056	28 245	34 301	1%
Continuation of membership at retirement	-10%	4 309	28 245	32 554	-4%

Trend Information	30/06/2011	30/06/2012	30/06/2013	30/06/2014
Present value of obligation	37 688 000	32 932 000	34 593 000	34 056 000
Fair value of plan assets	-	-	-	-
Present value of obligation in excess of plan assets	-37 688 000	-32 932 000	-34 593 000	-34 056 000
Experience adjustments (Actuarial (gain) and losses before change in assumptions):				
- In respect of present value of obligation	-	-	(692 000)	(1 462 000)
- In respect of fair value of plan assets	-	-	-	-

The Municipality expects to pay R 2 048 064 to its post-retirement medical aid plan in 2014/2015.

The valuation was performed by ARCH Actuarial Consulting.

ARCH Actuarial Consulting is not connected to the Municipality.

The full actuarial valuation report is available on request.

Emnambithi / Ladysmith Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014	2013
	R	Restated R
7. Trade and Other Payables from Exchange Transactions		
Trade Creditors	4 873 223	7 977 657
Creditors - Accruals	48 003 759	29 672 628
Retentions	11 243 267	10 903 169
Creditors - Operating Leases		1 898
Unidentified Deposits in Primary Bank Account	2 857 807	1 058 834
Deposits : Other	2 193 260	1 713 148
Other Creditors	160 245	153 623
Employee Benefits - Leave	10 167 602	8 608 021
Employee Benefits - Bonuses	3 263 928	2 732 600
Payments Received in Advance i.r.o. Service Debtors	12 838 195	12 197 270
	95 601 285	75 018 848

Trade Creditors are valued at fair value as creditors are paid 30 days from date of statement.

Trade payables are non-interest-bearing and normally settled on 30-day terms, except retentions that could be settled after 12 months. Payments received in advance are non-interest bearing and normally settled on 30-day terms.

Management policies are in place to ensure that all payables are paid within a reasonable timeframe, as stipulated in the MFMA, to ensure sound financial risk management.

8. Unspent Conditional Grants and Receipts

Municipal Infrastructure Grant (MIG)	0	(15 513)
Dept of Housing	17 209 492	17 589 176
Financial Management Grant (FMG)	-	-
Municipal Systems Improvement Grant (MSIG)	-	-
Department of Minerals & Energy (DME)	-	(46 684)
Integrated National Electricity Programme (INEP)	-	46 684
Neighbourhood Development Partnership Grant (NDPG)	-	157 465
Small Town Rehabilitation (STR)	(0)	-
Expanded Public Works Programme (EPWP)	9 473 626	18 138 229
Other Grants	26 683 118	35 869 358

The municipality's application for roll-over of unspent grants, totalling R 10 472 362, as at 30 June 2012, in respect of the Integrated National Electricity Programme Grant (INEP) was not approved by National Treasury. An amount of R 2 472 000 was withheld from the Equitable Share Allocation for the 2012/2013 financial year, and an amount of R 8 000 000 was withheld from the Equitable Share Allocation for the 2013/2014 financial year.

The above unspent funds, as indicated above, was as a result of late receipt of funds, delays in the tender process in appointing suitable contractors, and difficulties experienced with appointed contractors.

9. VAT Receivable

2 694 095 **14 478 867**

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors. A VAT Contingency Review was conducted during the 2012/2013 financial year resulting in an increase in VAT Receivable.

Notes to the Financial Statements

10. PROPERTY, PLANT AND EQUIPMENT

30 June 2014

Reconciliation of Carrying Value		Infrastructure	Community	Heritage	Other	Land	Leased Assets	Total
	R	R	R	R	R	R	R	R
Carrying values at 1 July 2013	592 207 584	78 279 731	15 284 236	94 237 012	24 322 000	248 600	804 579 163	
Cost	1 211 890 707	216 706 406	15 302 512	205 589 246	24 322 000	364 705	1 674 175 576	
Capital under Construction - Cost	76 505 770	7 004 563	-	8 735 926	-	-	92 246 259	
Accumulated impairment	(1 811 789)	-	-	(602 400)	-	-	(2 414 189)	
Accumulated depreciation	(694 377 105)	(145 431 238)	(18 276)	(119 485 760)	-	(116 105)	(959 428 484)	
Acquisitions	92 282 416	31 224 960	-	17 483 595	2 300 000	-	143 290 971	
Capital under Construction	(28 881 048)	13 016 603	-	(8 735 926)	-	-	(24 600 371)	
Depreciation	(39 564 581)	(6 133 393)	(3 637)	(11 184 048)	-	(69 847)	(56 955 506)	
Impairment	931 697	(558 388)	-	(253 687)	-	-	119 622	
Carrying value of disposals	-	(2 580 769)	-	(1 292 379)	-	(16 956)	(3 890 104)	
Cost/revaluation	-	(3 771 325)	-	(4 665 732)	-	(29 263)	(8 466 320)	
Accumulated depreciation	-	1 190 556	-	3 373 353	-	12 307	4 576 216	
Carrying values at 30 June 2014	616 976 069	113 248 745	15 280 599	90 254 566	26 622 000	161 797	862 543 775	
Cost	1 304 173 123	244 160 041	15 302 512	218 407 109	26 622 000	335 442	1 809 000 227	
Capital under Construction - Cost	47 624 722	20 021 166	-	-	-	-	67 645 888	
Accumulated impairment	(890 092)	(558 388)	-	(856 087)	-	-	(2 294 567)	
Accumulated depreciation	(733 941 685)	(150 374 075)	(21 913)	(127 296 456)	-	(173 645)	(1 011 807 774)	

Notes to the Financial Statements

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2013

Reconciliation of Carrying Value	Infrastructure	Community	Heritage	Other	Land	Leased Assets	Total
	R	R	R	R	R	R	R
Carrying values at 1 July 2012	557 994 078	60 507 431	15 287 874	94 862 823	24 322 000	317 458	753 291 664
Cost	1 158 932 132	179 943 018	15 302 512	198 380 836	24 322 000	364 705	1 577 245 203
Capital under Construction - Cost	55 793 149	19 610 673	-	7 163 415	-	-	82 567 236
Accumulated impairment	-	74 190	-	(572 884)	-	-	(498 694)
Accumulated depreciation	(656 731 202)	(139 120 450)	(14 638)	(110 108 544)	-	(47 247)	(906 022 081)
Acquisitions	54 026 852	36 763 388	-	13 225 200	-	-	104 015 440
Capital under Construction	20 712 621	(12 606 109)	-	1 572 512	-	-	9 679 023
Depreciation	(38 273 552)	(6 310 788)	(3 637)	(12 498 389)	-	(68 858)	(57 155 224)
Impairment	(1 811 789)	(74 190)	-	(29 516)	-	-	(1 915 495)
Carrying value of disposals	(440 627)	-	-	(2 895 618)	-	-	(3 336 245)
Cost/revaluation	(1 068 277)	-	-	(6 016 790)	-	-	(7 085 067)
Accumulated depreciation	627 650	-	-	3 121 172	-	-	3 748 822
Carrying values at 30 June 2013	592 207 584	78 279 731	15 284 236	94 237 012	24 322 000	248 600	804 579 163
Cost	1 211 890 707	216 706 406	15 302 512	205 589 246	24 322 000	364 705	1 674 175 576
Capital under Construction - Cost	76 505 770	7 004 563	-	8 735 926	-	-	92 246 259
Accumulated impairment	(1 811 789)	-	-	(602 400)	-	-	(2 414 189)
Accumulated depreciation	(694 377 105)	(145 431 238)	(18 276)	(119 485 760)	-	(116 105)	(959 428 484)

Refer to Appendix B for more detail on property, plant and equipment.

Notes to the Financial Statements

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

Infrastructure Assets

Physical verification and valuation

- New infrastructure assets were physically verified during the 2013/2014 financial year. During this process the asset location, condition and maintenance history was recorded and evaluated.
- All assets were verified and condition assessments done during the year.

Movable Assets

Physical verification and valuation

- All the movable assets have been physically verified during the year. During this process the asset location, condition, description and custodian was recorded and evaluated.
- During the 2013/2014 financial year, the municipality identified assets relating to the prior year that were not previously disclosed. The municipality has subsequently disclosed these assets by way of a prior year adjustment.
- A 100% verification and condition assessment was done in 2013/2014.

Disclosure of the asset information not disclosed previously.

- Actual values were used where supporting information was available. For the remaining assets the DRC methodology was followed to determine the deemed cost of these assets.
- The opening balance for the take on values of the assets as well as for accumulated depreciation is restated. This adjustment is made directly to accumulated surplus.

Emnambithi / Ladysmith Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014	2013
	R	Restated R

11. Intangible Assets

30 June 2014

	Opening Balance R	Additions R	Disposals R	Transfers R	Total R
Cost					
Servitudes	26 623				26 623
Computer Software	1 989 619				1 989 619
Total	2 016 242				2 016 242
Accumulated Amortisation					
Servitudes	-				-
Computer Software	(1 077 171)	(367 966)			(1 445 137)
Total	(1 077 171)	(367 966)			(1 445 137)
Carrying Value	939 071	(367 966)			571 105

30 June 2013

	Opening Balance R	Additions R	Disposals R	Transfers R	Total R
Cost					
Servitudes	26 623	-			26 623
Computer Software	941 261	1 048 358			1 989 619
Total	967 884	1 048 358			2 016 242
Accumulated Amortisation					
Servitudes	-	-			-
Computer Software	(809 646)	(267 525)			(1 077 171)
Total	(809 646)	(267 525)			(1 077 171)
Carrying Value	158 238	780 833			939 071

Physical verification and valuation:

- All the intangible assets have been verified during the 2013/2014 year. During this process the asset location and description was recorded and evaluated.

Intangible assets disclosed relate to servitudes registered by the municipality. The balance of the servitudes are disclosed in Property, Plant and Equipment. It has been the policy of this municipality to capitalise servitudes to projects which are currently disclosed as Infrastructure costs.

Emnambithi / Ladysmith Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014	2013
	R	Restated R

12. Investment Properties

30 June 2014

	Opening Balance	Additions	Fair Value Adjustment / Impairment	Transfers / Disposals	Total
	R	R	R	R	R
Cost	63 543 469	3 195 000	2 288 531	(940 000)	68 087 000
Total	63 543 469	3 195 000	2 288 531	(940 000)	68 087 000
Accumulated Depreciation	-	-	-	-	-
Total	-	-	-	-	-
Carrying Value	63 543 469	3 195 000	2 288 531	(940 000)	68 087 000

30 June 2013

	Opening Balance	Additions	Fair Value Adjustment / Impairment	Transfers / Disposals	Total
	R	R	R	R	R
Cost	58 158 103	-	13 693 366	(8 308 000)	63 543 469
Total	58 158 103	-	13 693 366	(8 308 000)	63 543 469
Accumulated Depreciation	-	-	-	-	-
Total	-	-	-	-	-
Carrying Value	58 158 103	-	13 693 366	(8 308 000)	63 543 469

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The fair value of the above properties is R 68 087 000 (2013: R 63 543 469). Investment properties have been valued in accordance with the new municipal valuation roll which became effective on 1 July 2013 and has been adjusted to take into account current market conditions.

The last effective date of the fair value adjustments was June 2014. The valuations were performed by the Municipal Valuer. The valuation was based on the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The municipal valuer has extensive experience in the location and category of investment property valued.

Emnambithi / Ladysmith Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014	2013
	R	Restated R
13. Investments		
Long-Term Investments	-	-
Short-Term Investments	-	-
- ABSA	-	20 029 644
- First National Bank	-	-
- Investec	-	-
- Nedbank	26 346 179	20 339 419
- Standard Bank	-	40 586 904
	26 346 179	80 955 967
14. Non-current Receivables from Exchange Transactions		
State Housing Selling Schemes	19 010	20 410
Staff Housing Loans	0	1 009
	19 010	21 418
Less : Current portion transferred to current receivables	(1 400)	(2 233)
	17 610	19 186
15. Inventories		
Unsold properties held for resale	24 778 000	25 946 000
Consumable Stores	11 595 224	6 277 944
Inventory Assets	419 424	420 835
	36 792 648	32 644 779

Emnambithi / Ladysmith Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014	2013
	R	Restated R
16. Trade and Other Receivables from Exchange Transactions		
As at 30 June 2014	Gross Balances	Provision for Bad Debts
Electricity	29 044 610	(7 446 417)
Refuse	7 073 644	(6 155 377)
Housing Debtors	1 063 967	(1 062 617)
	37 182 222	(14 664 410)
		22 517 812
As at 30 June 2013		
Electricity	28 326 807	(6 399 643)
Refuse	4 049 937	(3 612 187)
Housing Debtors	2 098 006	(2 096 671)
	34 474 750	(12 108 501)
		22 366 249
<u>Electricity : Ageing</u>		
Current (0 - 30 days)	18 341 488	17 941 024
31 - 60 Days	3 133 960	2 894 954
61 - 90 Days	454 383	882 457
91 - 120 Days	430 567	615 287
121+ Days	6 684 214	5 993 085
	29 044 610	28 326 807
<u>Refuse : Ageing</u>		
Current (0 - 30 days)	(4 846)	213 854
31 - 60 Days	457 362	292 753
61 - 90 Days	338 317	176 379
91 - 120 Days	323 484	156 705
121+ Days	5 959 327	3 210 246
	7 073 644	4 049 937
<u>Reconciliation of the doubtful debt provision</u>		
Balance at beginning of the year	12 108 501	9 140 889
Contributions to provision	5 733 304	4 994 430
Additional provision for impairment	(3 177 395)	(2 026 817)
Doubtful debts written off against provision	-	-
Reversal of provision	-	-
	14 664 410	12 108 501
<u>Trade and other receivables from exchange transactions impaired</u>		
As of 30 June 2014, trade and other receivables of R 18 845 580 (2013: R 16 319 872) were impaired and provided for.		
The amount of the provision was R 14 664 410 as of 30 June 2014 (2013: R 12 108 501).		
The ageing of these receivables is as follows:		
31 - 60 Days	2 578 087	2 059 515
61 - 90 Days	610 321	709 849
91 - 120 Days	580 854	526 693
121+ Days	10 895 148	8 812 444
	14 664 410	12 108 501

The fair value of trade and other receivables from exchange transactions approximates their carrying amounts.

Debtors are individually evaluated annually at balance sheet date for impairment. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment, where applicable. Evaluation of impairment includes all debt passed 30 days, and considers past and current payment patterns.

Emnambithi / Ladysmith Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014	2013
	R	Restated R

17. Other Receivables from Non-Exchange Transactions

As at 30 June 2014	Gross Balances	Provision for Bad Debts	Net Balance
Rates	94 888 261	(68 463 558)	26 424 703
Vat Service Debtors	5 363 545	-	5 363 545
Service Debtors - Conversion Debt	3 693	(3 693)	(0)
Legal Fees - Debtors	1 109 340	(1 034 077)	75 262
Credit Control Costs - Debtors	304 385	(139 162)	165 223
Traffic Fines	19 983 543	(8 882 685)	11 100 858
Sundry Debtors	12 709 788	(3 437 577)	9 272 211
	134 362 555	(81 960 753)	52 401 802

As at 30 June 2013

Rates	79 791 768	(63 510 662)	16 281 106
Vat Service Debtors	5 306 316	-	5 306 316
Service Debtors - Conversion Debt	4 683	(4 683)	(0)
Legal Fees - Debtors	2 230 764	(2 201 140)	29 624
Credit Control Costs - Debtors	93 282	(58 050)	35 232
Traffic Fines	15 542 393	(8 484 592)	7 057 801
Sundry Debtors	21 109 952	(4 622 532)	16 487 420
	124 079 158	(78 881 658)	45 197 500

Rates : Ageing

Current (0 - 30 days)	(84 878)	82 484
31 - 60 Days	3 593 162	2 806 204
61 - 90 Days	2 611 840	1 573 507
91 - 120 Days	2 751 732	1 325 553
121+ Days	86 016 404	74 004 021
	94 888 261	79 791 768

Reconciliation of the doubtful debt provision

Balance at beginning of the year	78 881 658	77 657 450
Contributions to provision	10 695 895	5 306 912
Additional provision for impairment	-	-
Doubtful debts written off against provision	(7 616 800)	(4 082 704)
Reversal of provision	-	-
	81 960 753	78 881 658

Trade and other receivables from non-exchange transactions impaired

As of 30 June 2014, trade and other receivables of R 99 587 649 (2013: R 86 595 688) were impaired and provided for.

The amount of the provision was R 81 960 753 as of 30 June 2014 (2013: R 78 881 658).

The ageing of these receivables is as follows:

31 - 60 Days	2 470 193	2 235 924
61 - 90 Days	1 795 563	1 253 737
91 - 120 Days	1 891 734	1 056 172
121+ Days	75 803 263	74 335 826
	75 803 263	74 335 826
	81 960 753	78 881 658

The fair value of trade and other receivables from non-exchange transactions approximates their carrying amounts.

All Debtors with the exclusion of Vat Service Debtors are individually evaluated annually at balance sheet date for impairment. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment, where applicable. Evaluation of impairment includes all debt passed 30 days, and considers past and current payment patterns.

Emnambithi / Ladysmith Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 Restated R
18. Call Investment Deposits		
The Municipality has the following call investment bank accounts :-		
General Call Account		
ABSA Bank - Public Sector Banking		
Account Number 9207051716		
Bank statement balance at end of period	22 800 947	16 898 742
Department of Housing Grants Call Account		
ABSA Bank - Public Sector Banking		
Account Number 9207052314		
Bank statement balance at end of period	17 676 058	19 654 690
Grant Funds Call Account		
ABSA Bank - Public Sector Banking		
Account Number 9207054081		
Bank statement balance at end of period	12 847 763	13 985 151
Aloe and Berg Tea Call Account		
ABSA Bank - Public Sector Banking		
Account Number 9207054934		
Bank statement balance at end of period	36 494	173 615
Valuations Call Account		
ABSA Bank - Public Sector Banking		
Account Number 9216278503		
Bank statement balance at end of period	-	11 389
Capital Replacement Reserve Call Account		
ABSA Bank - Public Sector Banking		
Account Number 9216278799		
Bank statement balance at end of period	3 109 402	7 860 827
Small Town Rehabilitation Grant Call Account		
ABSA Bank - Public Sector Banking		
Account Number 9236394943		
Bank statement balance at end of period	1 000	2 157 287
Ladysmith Black Mambazo Call Account		
ABSA Bank - Public Sector Banking		
Account Number 236410696		
Bank statement balance at end of period	2 069 408	1 972 581
Self-Insurance Fund Call Account		
ABSA Bank - Public Sector Banking		
Account Number 9251267674		
Bank statement balance at end of period	3 704 982	6 389 805
Neighbourhood Development Partnership Grant Call Account		
ABSA Bank - Public Sector Banking		
Account Number 9265577031		
Bank statement balance at end of period	1 000	8 953 544
Housing Operating Call Account		
ABSA Bank - Public Sector Banking		
Account Number 9274469611		
Bank statement balance at end of period	18 821 593	17 242 498
Housing Capacity Fund Call Account		
ABSA Bank - Public Sector Banking		
Account Number 9285122301		
Bank statement balance at end of period	608 499	1 000
	81 677 144	95 301 130

Emnambithi / Ladysmith Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 Restated R
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19. Cash and Cash Equivalents

The Municipality has the following bank account :-

Current Account (Primary Bank Account)

ABSA Bank - Public Sector Banking
Account Number 4071756088

Cash book balance at beginning of year	(29 314 433)	(4 616 678)
Cash book balance at end of period	13 205 998	(29 314 433)
Bank statement balance at beginning of year	13 278 136	12 127 770
Bank statement balance at end of period	24 851 512	13 278 136

Guarantee Held on Primary Account

The Municipality has a guarantee of R120 000 held in favour of The South African Post Office.

Emnambithi / Ladysmith Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014	2013
	R	Restated R

20. Property Rates

<u>Actual</u>	59 128 676	54 149 478
Residential	27 987 628	28 044 187
Industrial / Commercial / Business	2 457 202	1 617 573
Agriculture	6 013 214	4 587 529
Public Service Infrastructure	955 656	657 337
Vacant Land	21 121 028	20 815 785
Rural Residential	-	-
Game Hunting / Eco-Tourism	-	-
Municipal Domestic	-	-
State	3 335 421	2 327 895
Land Reform < 10 Years	414 217	565 443
Non Profit Organisations	-	-
Reigious	-	-
Industrial Estate Serviced By Agent	-	-
Industrial Estate Serviced By Owner	-	-
Ingonyama Trust	-	-
Municipal Vacant Land	-	-
Public Open Spaces	-	-
Total Assessment Rates	121 413 041	112 765 228

	R'000	R'000
Valuations		
Residential	6 341 409	4 641 912
Industrial / Commercial / Business	1 496 861	1 229 388
Agriculture	984 913	523 548
Public Service Infrastructure	13 078	12 365
Vacant Land	142 033	91 916
Rural Residential	302 345	637 589
Game Hunting / Eco-Tourism	125 780	121 978
Municipal Domestic	153 431	234 827
State	1 165 947	884 674
Land Reform < 10 Years	124 730	97 944
Non Profit Organisations	59 907	62 797
Reigious	174 431	157 083
Industrial Estate Serviced By Agent	317 729	130 080
Industrial Estate Serviced By Owner	39 470	31 904
Ingonyama Trust	18 440	4 190
Municipal Vacant Land	114 746	88 027
Public Open Spaces	6 153	1 187
Other	11	-
Total Property Valuations	11 581 414	8 951 409

Valuation on land and buildings is performed every five years. The last valuation came into effect on 1 July 2013. Supplementary valuations are processed on a ad-hoc basis to take into account changes in individual property values due to change in use, alterations, consolidations and subdivisions.

The following property allocation factors are applied to the various categories of property to determine assessment rates less the impermissible valuation allowed :

Category	Rate	Impermissible Valuation
Residential	R 0.010204	R 15 000
Industrial/Commercial/Business	R 0.0182721	R 15 000
Agriculture	R 0.0025312	R 15 000
Vacant Land	R 0.0423185	R 0
Game Hunting / Eco-Tourism	R 0.0076239	R 15 000
State	R 0.0188258	R 15 000
Industrial Estate	R 0.0105789	R 15 000

Rates are levied on a monthly basis on property owners with the final date of payment being 30 June 2014 (2013: 30 June 2013). Interest at 18% per annum (2013: 18%) is levied on outstanding rates as well as a 10% (2013: 10%) collection charge two months after final date of payment.

Emnambithi / Ladysmith Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014	2013
	R	Restated R
21. Service Charges		
Sale of electricity	229 196 889	216 813 018
Refuse removal	17 053 881	15 722 649
	246 250 769	232 535 667

22. Government Grants and Subsidies

Equitable share	103 249 000	103 921 090
Municipal Infrastructure Grant (MIG)	31 069 804	32 199 649
Dept of Housing	1 894 426	11 759 115
Museum Subsidy	284 000	134 000
Financial Management Grant (FMG)	1 550 000	1 500 000
Municipal Systems Improvement Grant (MSIG)	890 000	800 000
Department of Minerals & Energy (DME)	-	10 425 677
Integrated National Electricity Programme (INEP)	13 000 465	22 444 538
Neighbourhood Development Programme (NDPG)	3 597 753	15 130 272
Small Town Rehabilitation (STR)	2 729 000	4 110 000
Expanded Public Works Programme (EPWP)	17 395 906	4 119 475
Other Grants	175 660 355	206 543 817

22.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents and automatic indigents, whose Property Valuation is R 110 000 and less (2013 : R 80 000 and less), receive a 100% credit for their Property Rates and their monthly services account.

22.2 Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	(15 513)	-
Balance overspent at beginning of year (Debtor Raised)	(4 955 196)	(2 647 920)
Transfer amount from Other Grants Incorrectly Disclosed	15 513	(881 139)
Current year receipts	36 025 000	30 758 000
Conditions met - transferred to revenue (Other)	(31 069 804)	(32 199 649)
Funds not yet received - spending in advance (Debtor Raised)	-	4 955 196
Conditions still to be met - transferred to liabilities	0	(15 513)

This grant was used to construct roads and bridges, sportsfields, community halls and streetlighting as part of the upgrading of informal settlement areas (included in the votes in Appendix B). No funds have been withheld.

22.3 Department of Housing

Balance unspent at beginning of year	17 589 176	23 211 525
Current year receipts	1 514 742	6 136 766
Conditions met - transferred to revenue	(1 894 426)	(11 759 115)
Conditions still to be met - transferred to liabilities	17 209 492	17 589 176

This grant was used to construct houses as part of the upgrading of informal settlement areas.

22.4 Museum subsidy

Balance unspent at beginning of year	284 000	134 000
Current year receipts	(284 000)	(134 000)
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	-	-

This grant was used to subsidise expenses incurred solely for the museums.

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	2014	2013
	R	Restated R

22. Government Grants and Subsidies (Continued)

22.5 Financial Management Grant (FMG)

Balance unspent at beginning of year		
Current year receipts	1 550 000	1 500 000
Conditions met - transferred to revenue	<u>(1 550 000)</u>	<u>(1 500 000)</u>
Conditions still to be met - transferred to liabilities		

This grant was used for Interns' salaries to advance the implementation of the MFMA, training of officials to meet the minimum competency requirements, and Asset Management.

22.6 Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year		
Current year receipts	890 000	800 000
Conditions met - transferred to revenue	<u>(890 000)</u>	<u>(800 000)</u>
Conditions still to be met - transferred to liabilities		

This grant was used for systems to comply with the MPRA and Audit Outcomes i.t.o. GRAP.

22.7 Department of Minerals and Energy Grant (DME)

Balance unspent at beginning of year	(46 684)	
Balance overspent at beginning of year (Debtor Raised)	-	(46 684)
Transfer amount from Other Grants Incorrectly Disclosed	46 684	
Current year receipts	-	
Conditions met - transferred to revenue	-	
Conditions still to be met - transferred to liabilities	<u>(46 684)</u>	

This grant was used for electricity connections to households in various areas.

22.8 Integrated National Electricity Programme Grant (INEP)

Balance unspent at beginning of year	46 684	10 472 362
Transfer amount from Other Grants Incorrectly Disclosed	<u>(46 684)</u>	
Current year receipts	-	
Conditions met - transferred to revenue	-	(10 425 677)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>46 684</u>

This grant was used for electricity connections to households in various areas.

22.9 Neighbourhood Development Partnership Grant (NDPG)

Balance unspent at beginning of year	157 465	7 602 003
Current year receipts	12 843 000	15 000 000
Conditions met - transferred to revenue	<u>(13 000 465)</u>	<u>(22 444 538)</u>
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>157 465</u>

This grant is used for the upgrading of rural areas in terms of infrastructure development which includes streetlighting, pavements, taxi ranks, bridges, etc.

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	R	Restated R
22. Government Grants and Subsidies (Continued)		
22.10 Small Town Rehabilitation Programme Grant (STRP)		
Balance unspent at beginning of year	-	7 728 025
Balance overspent at beginning of year (Debtor Raised)	(402 247)	-
Current year receipts	4 000 000	7 000 000
Conditions met - transferred to revenue	(3 597 753)	(15 130 272)
Funds not yet received - spending in advance (Debtor Raised)	-	402 247
Conditions still to be met - transferred to liabilities	(0)	-

This grant was used for the upgrading of the CBD roads, town beautification, sidewalks, parks and informal trader shelters.

22.11 Expanded Public Works Program Grant (EPWP)

Balance unspent at beginning of year	2 729 000	4 110 000
Current year receipts	(2 729 000)	(4 110 000)
Conditions still to be met - transferred to liabilities	-	-

The Expanded Public Works Programme is a government programme aimed at the alleviation of poverty and unemployment. This programme ensures the full engagement on Labour Intensive Methods of Construction to workers for skills development.

22.11 Other Grants

Balance unspent at beginning of year	18 138 229	7 307 496
Transfer amount to MIG incorrectly disclosed	(15 513)	881 139
Current year receipts	8 746 815	14 069 069
Conditions met - transferred to revenue (Other)	(17 395 906)	(4 119 475)
Conditions still to be met - transferred to liabilities	9 473 626	18 138 229

22.12 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2005), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

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	2014	2013
	R	Restated R
23. Employee Related Costs		
Employee related costs - Salaries and Allowances	109 410 805	96 714 603
Employee related costs - Contributions for UIF, pensions, medical aids and group life	23 694 196	20 374 742
Travel allowances	8 574 533	6 712 532
Housing benefits and allowances	494 102	604 253
Overtime & standby payments	7 596 043	8 312 417
Job Creation	29 167 803	27 351 985
Less : Employee costs to Property, Plant and Equipment and other expenses	(19 366 522)	(27 339 991)
	159 570 959	132 730 540

There were no advances or loans to employees.

Remuneration of Municipal Manager : Mr M P Khathide

Salaries	1 100 825	820 151
Allowances - Acting, Housing, Travel, Standby and Subsistence & Travelling	113 307	332 046
Municipality's Contributions - Pension and Medical Aid	-	26 092
Performance Bonus	77 276	1 178 289
	1 291 408	1 178 289

Mr M P Khathide was appointed in the post of Municipal Manager on 1 November 2012, and acted in the post for the period 1 February 2012 to 31 October 2012.

Remuneration of Municipal Manager : Mr N J Mdakane

Salaries	-	-
Allowances	-	-
Performance Bonus	44 924	44 924

Mr N J Mdakane resigned on 31 January 2012.

Remuneration of the Chief Financial Officer : Mrs I Gajadur (Acting)

Salaries	92 563	-
Allowances - Acting and Travel	61 182	-
Municipality's Contributions - Pension and Medical Aid	24 189	-
	177 933	-

Mrs I Gajadur was appointed to act in the post of Chief Financial Officer on 1 April 2014.

Remuneration of the Chief Financial Officer : Mr R A Jhetam (Acting)

Salaries	387 038	274 957
Allowances - Salary, Acting, Travel and Subsistence and Travelling	314 693	207 963
Municipality's Contributions - Pension and Medical Aid	99 494	73 572
	801 226	556 493

Mr R A Jhetam was appointed to act in the post of Chief Financial Officer on 1 December 2012 to 31 March 2014.

Remuneration of the Chief Financial Officer : Ms A R Ngwenya

Salaries	-	376 581
Allowances - Leave Paid and Subsistence & Travelling	-	66 208
Performance Bonus	-	110 323
	553 112	-

Ms A R Ngwenya resigned on 30 November 2012.

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	R	Restated R
23. Employee Related Costs (Continued)		
Remuneration of the Executive Manager: Corporate Services : Ms SS Ngiba		
Salaries	282 738	-
Allowances - Subsistence & Travelling	4 681	-
Performance Bonus	-	-
	287 420	-

Ms S S Ngiba was appointed in the post of Executive Manager: Corporate Services from 1 March 2014.

Remuneration of the Executive Manager: Corporate Services : Mr S D Hlophe (Acting)

Salaries	176 551	-
Allowances - Acting, Housing, Travel, Standby and Subsistence & Travelling	170 329	-
Municipality's Contributions - Pension and Medical Aid	45 504	-
	392 384	-

Mr S D Hlophe was appointed to act in the post of Executive Manager: Corporate Services from 1 September 2013 to 28 February 2014.

Remuneration of the Executive Manager: Corporate Services : Mr S N Kunene

Salaries	151 357	283 333
Allowances - Leave Paid and Subsistence & Travelling	7 431	9 459
Performance Bonus	-	-
	158 787	292 793

Mr S N Kunene was appointed in the post of Executive Manager: Corporate Services on 1 March 2013 and resigned on 31 August 2013.

Remuneration of the Executive Manager: Corporate Services : Mr H A van Zyl (Acting)

Salaries	286 536	-
Allowances - Acting, Housing, Travel, Standby and Subsistence & Travelling and Leave	382 804	-
Municipality's Contributions - Group Life, Pension and Medical Aid	64 660	-
	734 000	-

Mr H A van Zyl was appointed to act in the post of Executive Manager: Corporate Services from 1 April 2012 to 28 February 2013.

Remuneration of the Executive Manager: Governance & Transformation : Mr R G Reddy

Salaries	-	-
Allowances	-	-
Performance Bonus	-	43 577
	-	43 577

Mr R G Reddy's contract ended on 28 February 2012 (This post was since changed to Executive Manager: Corporate Services).

Remuneration of the Executive Manager: Community Services : Mr P B B Simelane

Salaries	908 140	298 286
Allowances - Subsistence & Travelling	36 180	1 127
Performance Bonus	22 667	-
	966 986	299 413

Mr P B B Simelane was appointed in the post of Executive Manager: Community Services on 1 March 2013.

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	2014	2013
	R	Restated R
23. Employee Related Costs (Continued)		
Remuneration of the Executive Manager: Community Services : Mr P S Mkhize (Acting)		
Salaries	153 102	
Allowances - Acting, Housing, Travel, Standby and Subsistence & Travelling	337 574	
Municipality's Contributions - Pension and Medical Aid	- 24 947	
	<u>515 623</u>	

Mr P S Mkhize was appointed to act in the post of Executive Manager: Community Services - 1 August 2012 to 28 February 2013.

Remuneration of the Executive Manager: Development, Planning & Human Settlement : Mr P S Mkhize		
Salaries	908 140	286 137
Allowances - Acting and Subsistence & Travelling	98 339	38 272
Performance Bonus	25 500	-
	<u>1 031 979</u>	<u>324 409</u>

Mr P S Mkhize was appointed in the post of Executive Manager: Development, Planning & Human Settlement on 1 March 2013.

Remuneration of the Executive Manager: Development, Planning & Human Settlement : Ms P S Mntaka (Acting)		
Salaries	206 265	
Allowances - Acting, Travel, Standby and Subsistence & Travelling	- 264 174	
Municipality's Contributions - Pension and Medical Aid	- 50 455	
	<u>- 520 895</u>	

Ms P S Mntaka was appointed to act in the post of Executive Manager: Economic Development for the period 1 August 2012 to 28 February 2013

Remuneration of the Executive Manager: Infrastructure & Services : Mr C Geldenhuys (Acting)		
Salaries	106 715	
Allowances - Acting, Travel, Standby and Subsistence & Travelling	85 787	
Municipality's Contributions - Pension and Medical Aid	19 209	
	<u>211 711</u>	

Mr C Geldenhuys was appointed to act in the post of Executive Manager: Infrastructure & Services from 1 April 2014.

Remuneration of the Executive Manager: Infrastructure & Services : Mr N Mpisi		
Salaries	561 403	
Allowances - Leave Paid and Subsistence & Travelling	53 579	
Performance Bonus	-	
	<u>614 981</u>	

Mr N Mpisi was appointed in the post of Executive Manager: Infrastructure & Services from 5 August 2013 and resigned on 31 March 2014.

Remuneration of the Executive Manager: Infrastructure & Services : Mr A Sompersadh (Acting)		
Salaries	37 300	340 260
Allowances - Acting, Travel, Housing and Subsistence & Travelling	42 001	395 423
Municipality's Contributions - Pension and Medical Aid	11 612	61 247
	<u>90 913</u>	<u>796 929</u>

Mr A Sompersadh was appointed to act in the post of Executive Manager: Infrastructure & Services from 1 September 2012 to 31 July 2013.

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	2014	2013
	R	Restated R
23. Employee Related Costs (Continued)		
Remuneration of the Executive Manager: Infrastructure & Services : Mr S Mathew		
Salaries	150 634	
Allowances - Leave Paid and Subsistence & Travelling	19 666	
Performance Bonus	101 837	
	272 136	

Mr S Mathew's employment contract ended on 31 August 2012.

Remuneration of the Chief Operations Officer : Mr S E Hlomuka

Salaries	481 567	37 486
Allowances - Travel, Standby and Subsistence & Travelling	337 620	12 824
Municipality's Contributions - Pension and Medical Aid	104 142	8 085
Bonus	40 050	-
	963 380	58 395

Mr S E Hlomuka was appointed in the post of Chief Operations Officer on 1 June 2013.

24. Remuneration of Councillors

Mayor	725 491	680 847
Deputy Mayor	584 583	552 987
Speaker	584 582	550 942
Chief Whip	548 808	519 647
EXCO Committee Members	2 180 383	1 814 100
Councillors	9 885 015	9 013 094
	14 508 862	13 131 617

In-kind Benefits

The Mayor, Deputy Mayor, Speaker, Chief Whip and MPAC Chairperson are full-time employees of the Municipality. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and Deputy Mayor have the use of Council-owned vehicles for official duties.

The Mayor and Deputy Mayor have eight bodyguards at the cost of Council.

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	2014	2013
	R	Restated R
25. Finance Costs		
Long-term liabilities	463 027	544 661
Finance Lease Obligations	3 287	5 239
Other interest paid	2 927	5 617
	469 241	555 517

26. Bulk Purchases

Electricity	149 064 631	154 749 980
	149 064 631	154 749 980

<u>Distribution Losses : Electricity</u>	2014	2013	
	Kwh	Kwh	
Value of Purchases at Purchase Price	251 477 535	253 237 927	120 709 217
Less : Sales at Purchase Price	(228 714 771)	(226 334 076)	(109 783 090)
Total Losses	22 762 764	26 903 851	11 837 695

Technical Losses	12 573 877	12 661 896	6 035 461	5 571 234
Non-Technical Losses	10 188 887	14 241 955	4 890 666	6 266 460
Total Losses	22 762 764	26 903 851	10 926 127	11 837 695

Percentage of Total Loss	9.05%	10.62%
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The value of loss is calculated using the bulk purchase price.

27. Grants / Subsidies and Rebates Paid

Grants paid to students	383 426	289 600
Grants paid to other	6 192	
Rates Rebates	1 687 442	977 064
	2 070 868	1 272 656

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Notes to the Financial Statements

	2014	2013
	R	R
28. General Expenses		
Included in general expenses are the following:		
Advertising	879 245	1 503 030
Audit Fees	2 325 292	2 089 375
Bank Charges	387 572	438 132
Bulk Discounts	36 447	437 035
COID - Workmen's Compensation	1 391 953	1 220 545
Commercialisation of Agricultural Projects	262 825	458 327
Conferences & Delegations	2 044 124	1 776 566
Connections for KWh Meters	25 755	21 717
Consultants	9 247 371	6 014 201
Co-operative Development	107 082	46 334
Development Plans	-	175 259
Disconnects & Reconections	828 202	1 678 058
Donation of Asset - Eskom 642 Sites	7 259 014	-
Electricity - Municipal Premises	3 058 812	3 384 012
Electricity - Streetlighting	944 108	1 250 570
Emergency Relief Fund	1 883 856	2 198 130
Entertainment Expenses	166 658	174 051
Events / Programmes	4 892 971	2 086 531
Insurance	3 870 414	3 138 242
Leave Provision	5 100 144	5 023 170
Legal Expenses	808 961	425 060
Licence Fees	538 747	408 621
Local Economic Development	682 779	420 672
Long Service Awards Provision	1 504 665	2 064 136
Materials & Sundries	901 021	987 788
Funeral Assistance	150 765	87 217
Performance Management - Software	120 000	41 500
Postage	1 094 452	985 357
Printing & Stationery	1 956 564	1 874 255
Project Development	314 519	325 978
Protective Clothing	771 010	846 326
Public Meetings	164 114	209 496
Rates - Rateable Municipal Premises	281 934	264 559
Refurbishment - NER Requirements	3 982 790	9 661 068
Rent - Buildings / Offices	50 001	93 686
SARS - Skills Development Levy	1 681 847	1 540 408
Security Services	1 268 948	3 637 742
Siyazenzela Project	5 105 873	2 583 734
Software Database - Assets & Credit Control	595 025	679 025
Sport & Recreation	514 760	925 021
Subscriptions & Membership	1 818 144	1 405 448
Swimming Pool Costs	209 907	216 468
Tampered Meters	86 251	68 645
Telephone & Cellphone Costs	3 850 981	3 316 274
Third Party Payments	479 923	462 190
Township Establishment & LUMS	3 061 724	-
Trade Mission	73 034	7 766
Training Staff	1 597 315	1 658 537
Valuation Costs	598 706	4 120 152
Vehicle / Transport Costs	15 209 444	12 923 800
Ward Committees	1 863 056	1 891 406
Water / Sanitation	1 800 301	1 094 121
Youth Development Programme	1 302 334	193 263
Zibambele EPW Pilot Project	-	990 153
Other General Expenses	7 122 119	10 656 137
	106 273 858	100 179 290

Notes to the Financial Statements

	2014	2013
	R	Restated R
29. Cash Generated By Operations		
Surplus/(Deficit) for the year	18 681 788	83 836 955
Adjustment for:-		
Adjustments in Respect of Previous Years & Appropriations	(12 632 399)	8 936 826
Depreciation / Amortisation	57 323 472	57 238 462
Profit/(Loss) on disposal of assets	2 053 122	1 412 276
Contribution to doubtful debt provision	16 429 198	10 301 342
Contribution to long service awards provision	358 466	1 358 550
Contribution to performance bonus provision	159 025	334 891
Contribution to landfill site rehabilitation	1 993 370	825 826
Contribution to retirement benefit obligation	(536 232)	1 660 500
Gain/(Loss) on fair value adjustment and impairment	(2 408 153)	(26 288 371)
Operating surplus before working capital changes:	<u>81 421 657</u>	<u>139 617 258</u>
(Increase)/decrease in inventories	(4 147 869)	(19 255 000)
(Increase)/decrease in exchange debtors	(151 563)	(1 460 331)
(Increase)/decrease in non-exchange debtors	(7 204 303)	(8 983 709)
(Increase)/decrease in non-current receivables	1 576	1 862
(Decrease)/increase in unspent conditional grants and receipts	(9 186 241)	(20 452 053)
(Decrease)/increase in creditors	20 582 437	(2 689 027)
(Decrease)/increase in deposits	106 694	126 230
(Increase)/decrease in VAT Receivable	11 784 772	(11 953 944)
	<u>93 207 161</u>	<u>74 951 285</u>

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	2014	2013
	R	R

30. Unauthorised, Irregular, Fruitless and Wasteful Expenditure

30.1 Unauthorised Expenditure

Opening balance	-	-
Unauthorised expenditure current year	-	-
Approved by council or condoned	-	-
Transfer to receivables for recovery - not condoned	-	-
Unauthorised expenditure awaiting authorisation	-	-

Unauthorised expenditure is related to the actual expenditure exceeding budgeted expenditure on the Statement of Financial Performance, and for Transfers Recognised on Capital.

30.2 Irregular Expenditure

Opening balance	7 722 895	11 888 759
Irregular expenditure current year	46 908	26 437 841
Approved / Condoned	(7 769 803)	(30 603 705)
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting authorisation	-	7 722 895

Irregular expenditure is related to the non-adherence of Supply Chain Management procedures.		
- Non-compliance with the PPPFA Regulation	-	3 465 381
- Persons in the service of the state	-	28 050
- Non-compliance with the SCM Regulations	46 908	4 229 464
Approved / Condoned	(46 908)	-
	-	7 722 895

30.3 Fruitless and Wasteful Expenditure

Opening balance	89 475	118 153
Fruitless and Wasteful expenditure current year	7 162	19 938
Approved by council or condoned	-	(48 616)
Recovered	(233)	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and Wasteful expenditure awaiting authorisation	96 404	89 475

Fruitless and Wasteful expenditure is related to expenditure that was made in vain and would have been avoided had reasonable care been exercised.

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	2014	2013
	R	Restated R
31. Additional Disclosures in Terms of Municipal Finance Management Act		
<u>31.1 Contributions to organised local government</u>		
Opening balance		
Council subscriptions	1 813 044	1 388 248
Amount paid - current year	(1 813 044)	(1 388 248)
Amount paid - previous years		
Balance unpaid (included in creditors)		
<u>31.2 Audit Fees</u>		
Opening balance		
Current year audit fee	2 691 768	2 543 143
Amount paid - current year	(2 691 768)	(2 543 143)
Amount paid - previous years		
Balance unpaid (included in creditors)		
<u>31.3 VAT</u>		
All VAT returns have been submitted by the due date throughout the year.		
<u>31.4 PAYE, SDL and UIF</u>		
Opening balance		
Current year payroll deductions	21 923 957	19 127 147
Amount paid - current year	(21 923 957)	(19 127 147)
Amount paid - previous years		
Balance unpaid (included in creditors)		
<u>31.5 Pension and Medical Aid Deductions</u>		
Opening balance		
Current year payroll deductions and Council Contributions	35 610 977	29 860 233
Amount paid - current year	(35 610 977)	(29 860 233)
Amount paid - previous years		
Balance unpaid (included in creditors)		
<u>31.6 Supply Chain Management Deviations</u>		
In terms of Regulation 36 of the Municipal Supply Chain Management Regulations, any deviations from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.		
Total amount considered	3 106 303	
Total amount condoned	(3 106 303)	
Deviations awaiting authorisation		

Notes to the Financial Statements

	2014	2013
	R	Restated R
32. Capital Commitments		
32.1 Commitments in respect of capital expenditure:		
- Approved but not yet contracted for		
<i>Infrastructure</i>	61 607 536	27 591 000
<i>Community</i>	12 626 810	2 000 000
<i>Other</i>	7 880 000	12 400 000
- Approved and contracted for		
<i>Infrastructure</i>	26 184 274	21 156 002
<i>Community</i>	11 594 123	30 142 479
<i>Other</i>	562 957	6 024 867
	120 455 700	99 314 347

This expenditure will be financed from:

- External Loans	66 806 670	57 049 000
- Government Grants	53 649 030	42 265 347
- Own Resources	120 455 700	99 314 347

32.2 Operating leases

At the reporting date, outstanding commitments under operating leases fall due as follows:

Operating leases - as lessee

Within one year	178 103
In the second to fifth year inclusive	-
After five years	-
	178 103

Operating Leases consists of the following:

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of five years and rentals have an escalation per annum. No contingent rent is payable.

Operating leases - as lessor

Minimum lease payments due		
Within one year	231 838	192 348
In the second to fifth year inclusive	966 467	892 019
After five years	324 731	324 707
	1 523 036	1 409 073

Operating Leases consists of the following:

Certain of the municipality's property is held to provide a service to the community to assist with local economic and social development. Lease agreements are cancellable if agreed by both parties. Most leases have an indefinite term.

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	R	Restated R
33. Other Income		
Included in other income are the following:		
Actuarial Gain on Post Retirement Benefits Obligation	1 427 599	
Discounts Received	187 899	223 915
Donation of Assets	5 664 656	
Fees : Brigade Service	247 496	456 955
Fees : Building Plans	143 426	103 439
Fees : Burial	148 870	142 551
Fees : Camping	8 895	49 003
Fees : Hiring	283 238	352 735
Fees : Sewerage Plans	216 307	183 371
Hire : Agra Crescent Hall	73 871	106 133
Hire : Town Hall	54 394	68 416
Legal Fees	163 304	(307 163)
Notice Processing Cost	967 612	929 044
Rates Clearance Certificates	248 777	157 653
Reconnection Fees : Non Payment	306 655	3 153
Refund Skills Development Levy	416 087	732 969
Rental Income - Housing	409 116	277 045
Rental Income - Sundries	793 362	765 229
Revenue - Third Party Payments	528 528	533 563
Royalty on Stone	502 513	733 920
Sundries	1 160 132	935 877
Vehicle Income		3 903 702
Other	1 360 321	15 713 157
	15 313 058	27 318 687

34. Self-Insurance Fund

Opening balance	6 628 548	4 209 198
Contributions / Interest	3 375 984	3 593 766
Insurance Claims processed	(784 079)	(1 174 416)
	9 220 454	6 628 548

The Municipality has a Self-Insurance Fund to set aside amounts to offset potential losses or claims, which fall under a stop loss determined and calculated by Council's insurance broker based on the insurance risk carried by the Municipality. The funds are kept in a separate call account, and interest earned is credited to the fund.

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	2014	2013
	R	Restated R

35. Retirement Benefit Information

Defined Contribution Plan

The following are defined contribution plans. These are not treated as defined benefit plans as defined by IAS 19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par.30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. This municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.

Natal Joint Municipal Pension Fund (Superannuation)

The latest interim actuarial valuation of the NJMP Superannuation Fund as at 31 March 2013 disclosed that the Fund's financial position has improved from the previous statutory valuation. The fund disclosed a deficit of R 158,7 million. The total rate of contribution by the municipality, including the surcharge, is 31,13% (21,63% plus the surcharge of 9,5%) of pensionable salaries payable for a period of 8 years with effect from 1 August 2012.

Natal Joint Municipal Pension Fund (Retirement)

The latest interim actuarial valuation of the NJMP Retirement Fund (defined benefit) as at 31 March 2013 disclosed a deficit in the fund of R 203,7 million. The total rate of contribution by the municipality, including the surcharge, is 34,12% (18,37% plus the surcharge of 17,5% less 1,65%) of pensionable salaries for a period of 8 years with effect from 1 August 2012.

Natal Joint Municipal Provident Fund

The latest interim actuarial valuation of the NJMP Provident Fund (defined contribution) as at 31 March 2013 disclosed a surplus in the fund of R 66,5 million.

36. Councillor's Arrear Consumer Accounts

No Councillor(s) had arrear accounts over 90 days during the financial year ending 30 June 2014.

37. Related Parties

37.1 Transactions with Related Parties

Z Xaba - IDP Manager	1 000 000
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The above employee is related (aunt) to the owner of NLM Trading & Projects, of which the Municipality conducted business with during the 2013/2014 financial year.

S Mahraj - Chief Internal Auditor	28 050
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The above employee is related (spouse) to the owner of Mahraj's Driving school, of which the Municipality conducted business with during the 2012/2013 financial year.

37.2 Key Management Personnel Compensation

Compensation of Key Management Personnel and Councillors is set out in Notes 23 and 24 respectively to the Financial Statements.

Notes to the Financial Statements

	2014	2013
	Restated	R

38. Risk Management

Financial Risk Management

The municipality's activities exposes it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the municipality's financial performance.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash Flow forecasts are prepared and utilised borrowing facilities are monitored.

Interest Rate Risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

Credit guarantee insurance is purchased when deemed appropriate.

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Notes to the Financial Statements

	2014	2013
	R	Restated R

39. Contingent Liabilities

The Municipality identified the following contingent liabilities:

39.1 Claim for Damages

The municipality was sued for breach of contract. The municipality contested the claim, and on 6 September 2013, the Magistrate granted absolution for both Defendants. The case is now finalised and the Municipality is not liable for the amount claimed. Case No. 424/2011

The municipality was sued for damages in respect of the appointment of a service provider for a 3 year period for a Parking Management System in the Ladysmith CBD. However, a task team was formed to negotiate on behalf of Council to settle the dispute out of Court, and to look at the parking tariffs that will be charged, as well as the office space and traffic wardens that will be used. The task team is in the process of settling this dispute out of court with the service provider, and a settlement agreement is in the process of being finalised for signature by both parties. Furthermore, in June 2014, Council approved the Parking Management Bylaws, as well as the Parking Management Bylaws, as well as the Parking Services Agreement. Case No. 5386/2012

15 820 976 15 820 976

15 820 976 15 863 270

39.2 Other Claims

Reported for the Financial Year Ending 30 June 2014

All claims reported in the previous financial year have either been dismissed / withdrawn or settled. There are no other claims against the Municipality as at 30 June 2014.

Reported for the Financial Year Ending 30 June 2013

All claims reported in the previous financial year have either been dismissed / withdrawn or settled. There are no other claims against the Municipality as at 30 June 2013.

40. Budget Information

The budget is approved on an accrual basis by nature and vote classification. The approved budget covers the period from 1 July 2013 to 30 June 2014.

The budget and accounting bases are the same, both are on the accrual basis. The financial statements are prepared using a classification on the nature of income and expenses in the statement of financial performance.

Refer to Appendix C for more detail on budget and actual information with an explanation of material differences between the budget and actual amounts by nature classification.

Under-spending on Capital Budget

The approved capital budget for 2013/2014 amounted to R 151 237 967, with an amount of R 118 690 600 being spent, resulting in under-spending of 21.52% on the capital budget.

The reasons for material variances in terms of under-spending on the capital budget are as follows :

- Change in scope of work due to circumstances on some of the projects.
- Poor performance of Consultants and Contractors.
- Cash flow problems experienced by Contractors which delayed the completion of some of the projects.
- Delays were experienced due to the compliance with the Supply Chain processes.
- Delays experienced with other organs of state, such as Department of Transport delaying the approval of designs.
- Constraints on the ESKOM networks.

41. Correction of Error

41.1 During the year the Municipality conducted a verification and condition assessment on Property, Plant and Equipment, and Inventory - Held For Sale.

During this exercise the municipality found assets that were not on the current register or had been captured incorrectly.

The Municipality rectified this retrospectively.

Emnambithi / Ladysmith Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014	2013
	R	Restated R

The cumulative effect on the 2013 Opening Balances are as follows :

Statement of Financial Position

Property, Plant and Equipment - Other Assets	(1 330 548)
Property, Plant and Equipment - Community Assets	11 900
Property, Plant and Equipment - Community Assets (WIP)	22 803
Property, Plant and Equipment - Infrastructure Assets (WIP)	202 278
Accumulated Surplus	1 093 567

The cumulative effect on the comparative amounts for 2013 are as follows :

Statement of Financial Position

Property, Plant and Equipment - Other Assets	475 735
Inventory Assets	335 935
Trade Receivables from Non-Exchange Transactions	40 100

Statement of Financial Performance

Depreciation	(184 287)
General Expenses	(775 302)
Grant Expenditure	(255 497)
Repairs & Maintenance	(7 711)
Proceeds on Disposal of Assets	371 027

41.2 During the year the Municipality re-allocated opening balance between Property, Plant and Equipment cost and Capital under Construction cost.

There was no effect on the cumulative Opening Balances of Property, Plant and Equipment.

41.3 During the year the Municipality identified proceeds from landsales that were not recognised correctly in the 2012/2013 financial year when the assets were derecognised.

The Municipality rectified this in the 2012/2013 financial year (comparatives) as follows :

Statement of Financial Position

Trade Receivables from Non-Exchange Transactions	1 335 158
Gain / (Loss) on sale/disposal of assets	(1 335 158)

41.1 During the year the Municipality conducted a verification and condition assessment on Property, Plant and Equipment.

During this exercise the municipality found assets that were not on the current register or had been captured incorrectly.

The Municipality rectified this in the 2012/2013 financial year (comparatives) as follows :

The cumulative effect on the 2012/2013 Balances are as follows :

Statement of Financial Position

Property, Plant and Equipment - Other Assets	1 280 000
Property, Plant and Equipment - Infrastructure Assets (WIP)	(237 781)
Trade and Other Payables from Exchange Transactions	(1 103 872)

Statement of Financial Performance

General Expenses	61 653
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Emnambithi / Ladysmith Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014	2013
	R	Restated R

42. Changes in Accounting Policy

42.1 The Municipality has implemented GRAP 25, Employee Benefits, and has accounted for the Employee Bonus Accrual and Performance Bonus Provision retrospectively and as at the end of the reporting period.

The Municipality implemented this retrospectively.

The cumulative effect on the 2013 Opening Balances are as follows :

Statement of Financial Position

Trade and Other Payables from Exchange Transactions	(2 144 655)
Provisions	(445 500)
Accumulated Surplus	2 590 155

The cumulative effect on the comparative amounts for 2013 are as follows :

Statement of Financial Position

Trade and Other Payables from Exchange Transactions	(587 946)
Provisions	(34 231)

Statement of Financial Performance

Employee Related Costs	622 177
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42.1 The Municipality has implemented IGRAP 1, Applying the Probability Test on the Initial Recognition of Revenue, with regard to Traffic Fines, Other Receivables from Non-Exchange Transactions.

The Municipality implemented this retrospectively.

The cumulative effect on the 2013 Opening Balances are as follows :

Statement of Financial Position

Other Receivables from Non-Exchange Transactions	4 358 858
Accumulated Surplus	(4 358 858)

The cumulative effect on the comparative amounts for 2013 are as follows :

Statement of Financial Position

Other Receivables from Non-Exchange Transactions	2 698 943
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Statement of Financial Performance

Fines	(1 929 829)
Other Income	(1 254 021)
Bad Debts	484 907

43. Change in Accounting Estimate

The Municipality has assessed the remaining useful lives of property, plant and equipment which resulted in certain immovable assets' remaining useful lives to change.

The effect of the change in accounting estimate has resulted in a decrease in depreciation amounting to R 4 132 427 for the current period.

Notes to the Financial Statements

	2014	2013
	R	Restated R

44. Key Sources of Estimation Uncertainty and Judgements

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment	862 543 775	804 579 163
Recoverable amounts of property, plant and equipment	15 927 936	13 934 566
Provision for rehabilitation of landfill site (discount rate, no.of years, amount of cash flows)	34 056 268	34 592 500
Present value of post retirement benefit obligation	7 884 573	7 526 107
Present value of long service awards	513 313	479 731
Provision for performance bonus	96 625 163	90 990 160
Provision for doubtful debts	(119 622)	1 915 495
Impairment of assets		

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Impairment of assets	(119 622)	1 915 495
Provisions	113 066 411	105 404 456

45. Donated Assets

Assets Received

The Department of Arts and Culture donated computer equipment to the Municipal Libraries. The assets were recognised in Property, Plant and Equipment at fair value, and disclosed under Other Income in the Statement of Financial Performance.

279 173

The Department of Environmental Affairs donated Wimpy Park 2 to the Municipality. The asset was recognised in Property, Plant and Equipment at cost, and disclosed under Other Income in the Statement of Financial Performance.

5 385 483

Assets Donated

The Municipality funded the Electrification of Ezakheni 642 Sites in an Eskom serviced area, during the financial year. The assets were handed over to Eskom at the completion of the project, and recognised under General Expenses in the Statement of Financial Performance.

7 259 014

46. Events After the Reporting Date

During August 2014, the Municipality experienced service delivery protests, which resulted in damages to property. Impairment of these assets will be recognised in the 2014/2015 financial year. The following community and infrastructure assets were reported to have been damaged during the protests :

Sportsfield - Burford
 Community Hall - Burford
 War room - Burford
 Roads and stormwater infrastructure in Wards 13,14 and 25

Emnambithi / Ladysmith Municipality
APPENDIX A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014

EXTERNAL LOANS	Interest Rate	Loan Ref.	Redeemable	Balance at 30 June 2013		Received R	Redeemed or Written Off R	Balance at 30 June 2014 R
				R	R			
LONG-TERM LOANS								
Absa Bank - Tsakane Electrification	9.10%	A1	Feb 2026	5 190 106		-	228 970	4 961 135
TOTAL EXTERNAL LOANS				5 190 106		-	228 970	4 961 135

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2014

	Cost	Capital Under Construction			Opening Balance	Additions	Transfers	Closing Balance	Opening Balance	Additions	Disposals / Write-Off	Closing Balance	Opening Balance	Additions	Impairment	Additions	Opening Balance	Additions	Carrying Value
		Opening Balance	Additions	Disposals / Write-Off															
Infrastructure																			
Electricity	278 229 852	23 982 904	-	302 222 756	28 523 871	16 081 226	-24 133 352	19 471 736	113 618 153	6 877 920	-	120 486 074	-	1 811 789	-	-	874 306	-	201 198 418
Roads	732 867 206	64 430 756	-	787 287 962	46 215 793	19 281 355	-38 460 542	27 036 307	465 919 569	28 76 236	631 102	514 085 845	-	-	-	-	5 783	5 783	308 364 456
Public Safety	9 514 453	9 280 280	-	9 813 773	-	-	-	-	3 655 387	-	-	4 250 489	-	-	-	-	-	5 317 501	5 317 501
Solid Waste	15 290 337	1 983 370	-	17 283 708	-	1 116 380	-	1 116 380	436 709	-	-	436 709	-	-	-	-	-	-	17 963 377
Stormwater	175 888 820	1 766 105	-	177 754 326	1 766 105	-	-	-	90 743 287	3 879 323	-	94 622 609	-	-	-	-	-	-	83 132 316
	1 211 890 707	92 282 416	-	1 304 173 123	76 505 770	35 478 962	-64 360 009	47 624 722	694 377 105	39 584 581	-	733 941 686	-	1 811 789	-	-	880 092	-	616 76 069
Community Assets																			
Land & Buildings	142 203 306	16 601 542	-	158 804 848	1 830 786	2 183 143	-1 533 255	2 480 674	105 705 723	2 780 240	-	108 494 963	-	-	-	-	568 388	568 388	52 790 560
Recreation Facilities - Parks	74 503 100	14 623 418	-	3 771 325	85 355 193	5 173 777	13 048 679	17 540 492	39 725 515	3 344 153	-	1 190 566	41 879 112	-	-	-	568 388	568 388	80 568 185
	216 706 406	31 224 960	-	3 771 325	244 160 041	7 004 563	15 231 822	-2 216 219	20 021 166	145 431 238	6 133 393	-	1 190 566	160 374 076	-	-	688 388	688 388	113 244 745
Heritage Assets																			
Buildings	15 277 000	-	-	15 277 000	-	-	-	-	-	18 276	3 637	-	-	-	-	-	-	-	15 277 000
Other	25 512	-	-	25 512	-	-	-	-	-	18 276	3 637	-	-	-	-	-	-	-	3 559
	15 302 512	-	-	15 302 512	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15 280 589
Other Assets																			
Land & Buildings	93 542 741	11 692 717	-2 235 858	102 989 601	8 735 926	-	-8 735 926	-	81 154 805	1 107 446	-2 166 824	80 095 428	-	602 400	-	-	602 400	-	22 301 773
Computer Equipment	12 954 550	967 174	-632 185	15 289 539	-	-	-	-	4 575 327	2 523 211	-320 673	6 777 965	-	2 135	-	-	6 509 438	-	6 509 438
Furniture & Office Equipment	13 141 921	1 939 388	-520 372	14 560 937	-	-	-	-	4 908 070	1 646 446	-279 426	6 275 960	-	6 948	-	-	6 276 888	-	6 276 888
Motor Vehicles	63 188 243	2 458 888	-	65 638 131	-	-	-	-	21 966 527	3 486 680	-	25 453 316	-	244 462	-	-	36 980 362	-	36 980 362
Plant & Equipment	22 751 791	474 427	-1 277 317	21 888 901	-	-	-	-	6 881 031	2 420 066	-608 430	8 694 566	-	142	-	-	13 204 104	-	13 204 104
	205 589 246	17 443 595	-4 665 732	218 407 109	8 735 926	-	-8 735 926	-	119 485 760	11 184 048	-3 373 353	127 296 456	-	602 400	-	-	213 587	866 087	90 254 568
Leased Assets																			
Office Equipment	364 705	-	-29 263	335 442	-	-	-	-	116 105	69 847	-12 307	172 645	-	-	-	-	-	-	161 797
	364 705	-	-29 263	335 442	-	-	-	-	116 105	69 847	-12 307	172 645	-	-	-	-	-	-	161 797
Land Assets																			
Land with Buildings	10 017 000	-	-	10 017 000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10 017 000
Vacant Land	14 305 000	2 300 000	-	16 605 000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16 605 000
	24 322 000	2 300 000	-	26 622 000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28 622 000
Total	1 674 175 576	143 290 971	-8 466 320	1 809 000 227	92 246 259	50 710 763	-75 311 154	67 645 888	959 428 484	56 955 506	-4 576 216	1 011 807 774	-	2 414 189	-	-	119 622	2 294 567	862 543 776

REFER TO NOTE 40

Description By Nature		Original Budget	Budget Adjustments (i.t.o. s28 & s31 of the MFMA)	Virement (i.t.o. Council Approved Policy)	Final Budget	Actual	% Variance	Explanation of Significant Variances Greater than 10% Actual versus Final Budget	
		R	R	R	R	R	R		
Financial Performance									
Property Rates	123 566 451	117 761 992		117 761 992	121 413 041		-3.10%		
Property Rates - Penalties & Collection Charges	3 000 000	6 902 732		6 902 732	6 618 862		4.11%		
Services Charges	254 634 772	255 436 141		255 436 141	246 260 769		3.60%		
Interest Earned - External Investments	7 000 000	7 000 000		7 000 000	6 179 915		11.72%		
Interest Earned - Outstanding Debtors	1 932 430	1 977 430		1 977 430	1 004 745		49.19%		
Fines	6 463 670	6 463 670		6 463 670	8 390 210		-29.81%		
Licences and Permits	6 905 738	7 125 738		7 125 738	5 725 761		19.65%		
Transfers and Grants Recognised - Operational	157 974 000	178 894 000		178 894 000	173 765 929		2.87%		
Transfers and Grants Recognised - Low Cost Housing	-	-		-	-				
Other Income and Profit on Fair Value Adjustments	20 349 839	26 914 927		26 914 927	17 601 589		0.00%		
Total Revenue (Excl. Capital Transfers & Contributions)	581 826 900	608 476 630		608 476 630	588 845 247				
Employee Related Costs	158 433 808	162 208 205		162 208 205	159 570 959		1.63%		
Remuneration of Councillors	14 809 248	15 364 248		15 364 248	14 508 862		5.57%		
Bad Debts	9 186 120	11 000 000		11 000 000	16 429 198		-49.36%	*	
Indigency	14 642 770	22 052 567		22 052 567	16 922 354		23.26%	*	
Depreciation and Amortisation Expense	66 504 883	68 426 366		68 426 366	57 323 472		16.23%		
Repairs and Maintenance	44 222 050	34 359 179		34 359 179	32 300 080		5.99%		
Finance Costs	491 460	491 460		491 460	469 241		4.52%		
Bulk Purchases	168 975 057	165 975 057		165 975 057	149 064 631		10.19%	*	
Grants / Subsidies and Rebates Paid	8 637 802	1 909 200		1 909 200	2 070 868		-8.47%		
Transfers and Grants	46 725 000	8 027 000		8 027 000	11 402 009		-42.05%		
Transfers and Grants - Low Cost Housing	-	-		-	-				
Impairment Loss	-	3 742 315		3 742 315	(119 622)		103.20%		
Loss on Disposal of PPE	-	-		-	2 053 122		0.00%		
Other Expenditure	64 608 789	104 770 108		104 770 108	106 273 858		-1.44%	*	
Total Expenditure	597 236 987	598 325 705		598 325 705	570 165 459				
Surplus/(Deficit)	{15 410 087}	10 150 925		10 150 925	18 681 788				
Transfers Recognised - Capital	37 962 000	58 068 000		58 068 000	53 776 286				
Contributions Recognised - Capital	-	-		-	-				
Surplus/(Deficit) After Capital Transfers & Contributions	22 551 913	68 218 925		68 218 925	72 458 054				
Capital Expenditure and Funds Sources									
Capital Expenditure									
Transfers Recognised - Capital	37 962 000	58 068 000		58 068 000	53 776 286		7.39%		
Public Contributions and Donations	-	-		-	-				
Borrowing	-	-		-	-				
Internally Generated Funds	64 488 000	93 169 967		93 169 967	64 914 335		30.33%		
Total Sources of Capital Funds	102 450 000	151 237 967		151 237 967	118 690 600				

* These items are budgeted for under the same category of General Expenses

- Surplus Funds were utilised for Capital Programmes and thus the reduction in Interest Earned
- Decrease in interest raised is attributable to consumers transferring over to pre-paid meters
- Adoption of IGRAP1 - recognition of total fines issued and not payments received
- Reduced number of applications for Learnees and Drivers Licences
- Fair value adjustment on Investment Property was lower than anticipated
- With the increase in the Indigent threshold from R 80 000 to R 110 000, more bad debt was written off for those debtors falling into the increased threshold from previous years
- There was a decrease in number of anticipated application Indigents
- Change in accounting estimate after the assessment of useful lives of PPE reduced depreciation
- The reduction in bulk purchases is evident from a similar reduction in service charges raised under revenue
- Spending of Unspent Grants from the previous financial year
- Reversal in impairment of PPE resulted in a negative impairment loss (surplus)
- Change in scope of work due to circumstances on some of the projects.
- Poor performance of Consultants and Contractors.
- Cash flow problems experienced by Contractors which delayed the completion of some of the projects.
- Delays were experienced due to the compliance with the Supply Chain processes.
- Delays experienced with other organs of state, such as Department of Transport delaying the approval of designs.
- Constraints on the ESKOM networks.

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grants	Name of organ of state or municipal entity	Receipts	Expenditure	Did your municipality comply with the grant conditions in terms of the grant framework in the latest Division of Revenue Act
				Yes / No
Corridor Development Grant	COGTA	5 200 000	1 116 380	Yes
Equitable Share	National Government	103 249 000	103 249 000	Yes
Provincialisation of Libraries	Dept of Arts & Culture	3 192 000	3 192 000	Yes
DOH - Protocol Agreement	Dept of Human Settlement	874 159	874 159	Yes
Department of Human Settlement - Housing	Dept of Human Settlement	1 514 742	1 514 742	Yes
Municipal Finance Management Grant	National Government	1 550 000	1 550 000	Yes
Expanded Public Works	National Government	2 729 000	2 729 000	Yes
Municipal Infrastructure Grant	National Government	36 025 000	36 025 000	Yes
Municipal Systems Improvement Grant	National Government	890 000	890 000	Yes
Museum Subsidy	Dept of Arts & Culture	284 000	284 000	Yes
Neighbourhood Development Partnership Grant	National Government	12 843 000	12 843 000	Yes
Recapitalisation of Libraries Grant	Dept of Arts & Culture	259 000	259 000	Yes
Small Town Rehabilitation Grant	COGTA	4 000 000	4 000 000	Yes
		172 609 901	168 526 281	